First Quarter Fiscal 2024 | Earnings Call

NYSE: BV

February 1, 2024

Introductory Information

Forward-Looking Statements

This press release contains forward looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, that involve substantial risks and uncertainties. All statements, other than statements of historical facts, contained in this presentation, including statements relating to our fiscal 2024 guidance and other statements related to our goals, beliefs, business outlook, business trends, expectations regarding our industry, strategy, future events, future operations, future liquidity and financial position, future revenues, projected costs, prospects, plans and objectives of management, are forward-looking statements. Words such as “outlook,” “guidance,” “projects,” “continues,” “believes,” “expects,” “may,” “will,” “should,” “seeks,” “intends,” “plans,” “estimates,” or “anticipates,” or the negative variations of these words or similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. By their nature, forward-looking statements: speak only as of the date they are made; are not statements of historical fact or guarantees of future performance, and are based upon our current expectations, beliefs, estimates and projections, and various assumptions, many of which are subject to risks, uncertainties, assumptions, changes in circumstances or other factors outside of the Company’s control that are difficult to predict or quantify. Our expectations, beliefs, and projections are expressed in good faith and we believe there is a reasonable basis for them. However, there can be no assurance that management’s expectations, beliefs and projections will result or be achieved and actual results may vary materially from what is expressed in or indicated by the forward-looking statements. Factors that could cause actual results to differ materially from those projected include, but are not limited to: general business, economic and financial conditions; increases in raw material costs, fuel prices, wages and other operating costs; disruptions in our supply chain and changes in our ability to source adequate supplies and materials in a timely manner; competitive industry pressures; the failure to retain current customers, renew existing customer contracts and obtain new customer contracts; a determination by customers to reduce their outsourcing or use of preferred vendors; the dispersed nature of our operating structure; our ability to implement our business strategies and achieve our growth objectives; the possibility that the anticipated benefits from our business acquisitions will not be realized in full or at all or may take longer to realize than expected; the possibility that costs or difficulties related to the integration of acquired businesses’ operations will be greater than expected and the possibility that integration efforts will disrupt our business and strain management time and resources; the seasonal nature of our landscape maintenance services; our dependence on weather conditions and the impact of severe weather and climate change on our business; any failure to accurately estimate the overall risk, requirements, or costs when we bid on or negotiate contracts that are ultimately awarded to us; the conditions and periodic fluctuations of real estate markets, including residential and commercial construction; the level, timing and location of snowfall; our ability to retain or hire our executive management and other key personnel; our ability to attract and retain field and hourly employees, trained workers and third-party contractors and re-employ seasonal workers; any failure to properly verify employment eligibility of our employees; subcontractors taking actions that harm our business; our recognition of future impairment charges; laws and governmental regulations, including those relating to employees, wage and hour, immigration, human health and safety and transportation; environmental, health and safety laws and regulations, including regulatory costs, claims and litigation related to the use of chemicals and pesticides by employees and related third-party claims; the distraction and impact caused by litigation, of adverse litigation judgments and settlements resulting from legal proceedings; tax increases and changes in tax rules; increase in on-job accidents involving employees; any failure, inadequacy, interruption, security failure or breach of our information technology systems; our failure to comply with data privacy regulations; our ability to adequately protect our intellectual property; restrictions imposed by our debt agreements that limit our flexibility in operating our business; our substantial indebtedness; incurrence of substantially more debt by us or our subsidiaries; failure by the financial institutions that are part of the syndicate of our revolving credit facility to extend credit under the facility or reduce our borrowing base; increases in interest rates governing our variable rate indebtedness increasing the cost of servicing our substantial indebtedness; exposure to counterparty credit worthiness or non-performance with respect to the derivative financial instruments we utilize; restrictions contained in our debt agreements that limit our flexibility to operate our business; our ability to generate sufficient cash flow to satisfy our significant debt service obligations; any future sales, or the perception of future sales, by us or our affiliates, which could cause the market price for our common stock to decline; the ability of KKR BrightView Aggregator L.P., Birch-OR Equity Holdings, LLC and Birch Equity Holdings, LP to exert significant influence over us; the impact of holders of Series A Preferred Stock having certain voting and other rights that may adversely affect holders of our common stock; risks related to natural disasters, terrorist attacks, public health emergencies, including pandemics, heightened inflation, geopolitical conflicts, recession, financial market disruptions, other economic conditions, and other external events; our ability to pursue and achieve our environmental, social and corporate governance (ESG) focus area goals and targets and the possibility that complying with ESG standards and meeting our goals may be significantly more costly than anticipated; and costs and requirements imposed as a result of maintaining compliance with the requirements of being a public company. Additional factors that could cause our results to differ materially from those described in the forward-looking statements can be found under “Item 1A. Risk Factors” in our Form 10-K for the fiscal year ended September 30, 2023, and such factors may be updated from time to time in our periodic filings with the Securities and Exchange Commission (the “SEC”), which are accessible on the SEC’s website at www.sec.gov. Accordingly, there are or will be important factors that could cause actual outcomes or results to differ materially from those indicated in these statements. These factors should not be construed as exhaustive and should be read in conjunction with the other cautionary statements that are included in this release and in our filings with the SEC. Any forward-looking statement made in this press release speaks only as of the date on which it was made. We undertake no obligation to publicly update or review any forward-looking statement, whether as a result of new information, future developments or otherwise, except as required by law.

Non-GAAP Financial Measures

Included in this presentation are certain non-GAAP financial measures, such as “Adjusted EBITDA”, “Adjusted EBITDA Margin”, “Adjusted Net Income”, “Free Cash Flow”, Total Financial Debt”, “Total Net Financial Debt” and “Total Net Financial Debt to Adjusted EBITDA ratio”, designed to complement the financial information presented in accordance with U.S. GAAP because management believes such measures are useful to investors. These non-GAAP financial measures should be considered only as supplemental to financial measures provided in accordance with GAAP. Please refer to the appendix of this presentation for a reconciliation of the historical non-GAAP financial measures included in this presentation to the most directly comparable financial measures prepared in accordance with GAAP. Because GAAP financial measures on a forward-looking basis are not accessible, and reconciling information is not available without unreasonable effort, we have not provided reconciliations for forward-looking non-GAAP measures. For the same reasons we are unable to address the probable significance of the unavailable information, which could have a potentially unpredictable and potentially significant impact on our future GAAP financial results.

Executive Summary

Dale Asplund | President & Chief Executive Officer

Key Highlights

Execution of Strategy

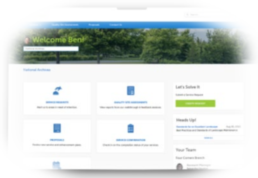
- Focused on profitable growth in core businesses
- Disciplined overhead cost management
- Reaffirming FY 2024 guidance
- Strategic sale of non-core franchise business at a double-digit multiple in January

One BrightView

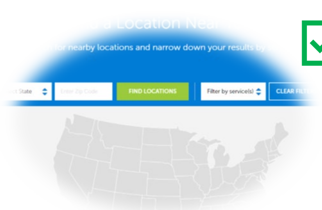
- Customer centric approach
- Reinvestment in core businesses & employees
- Streamlining branch operations & “Go-to-Market”
- Capital allocation aligned with strategic priorities

One BrightView in Action

Optimizing our Approach
- Sales realignment
- Fully aligned incentive comp plans
- Cohesive “Go-to-Market”



Profitable Growth
- New customer survey
- Consolidation & optimization at the branch[1]
- Corporate overhead efficiencies
- Non-core business evaluation



Leverage Size & Scale
- Safety and training for employees
- Centralizing support function groups
- Focus on asset lifecycle management
- Emphasis on procurement synergies

Strategic Allocation of Capital
- M&A aligned with strategy & operations
- Change in asset acquisition process

Identifying & executing on opportunities to create profitable growth while focusing on becoming a collaborative & unified ***One BrightView***

[1] Consolidated Tree and Golf businesses into the branch operations

Operating as One BrightView

Employer of Choice

Prioritize employees and BrightView winning culture

Investment in fleet and capabilities

Reinvestment to drive organic growth and operational efficiency

Align & optimize organizational structure to breakdown existing silos

Customer First

Focused on being the partner of choice

Deliver efficient, collaborative and unified service

Strengthen and develop existing relationships

Target strategic and large accounts

Emphasize core businesses & deemphasize non-core

Accretive M&A

Establish foundation and deliver on integration

Strategic allocation of capital

1 + 1 = 3

Leverage size & scale

Acquirer of choice focused on strategy, culture and returns

Operating as One BrightView to generate profitable growth and unlock significant long-term shareholder value

BrightView

Financial Review & Outlook

Brett Urban | Chief Financial Officer

BrightView

1Q FY 2024 Highlights

Solid Performance, Prioritizing Profitable Growth in Core Businesses

Execution of Strategy + **Profit Margin Expansion** + **Strong Cash Flow**

Execution of Strategy

- Continued focus on profitable growth in Land Maintenance
- Strong growth in Development driven by conversion of high quality backlog
- Driving efficiencies at the Corporate level

Profit Margin Expansion

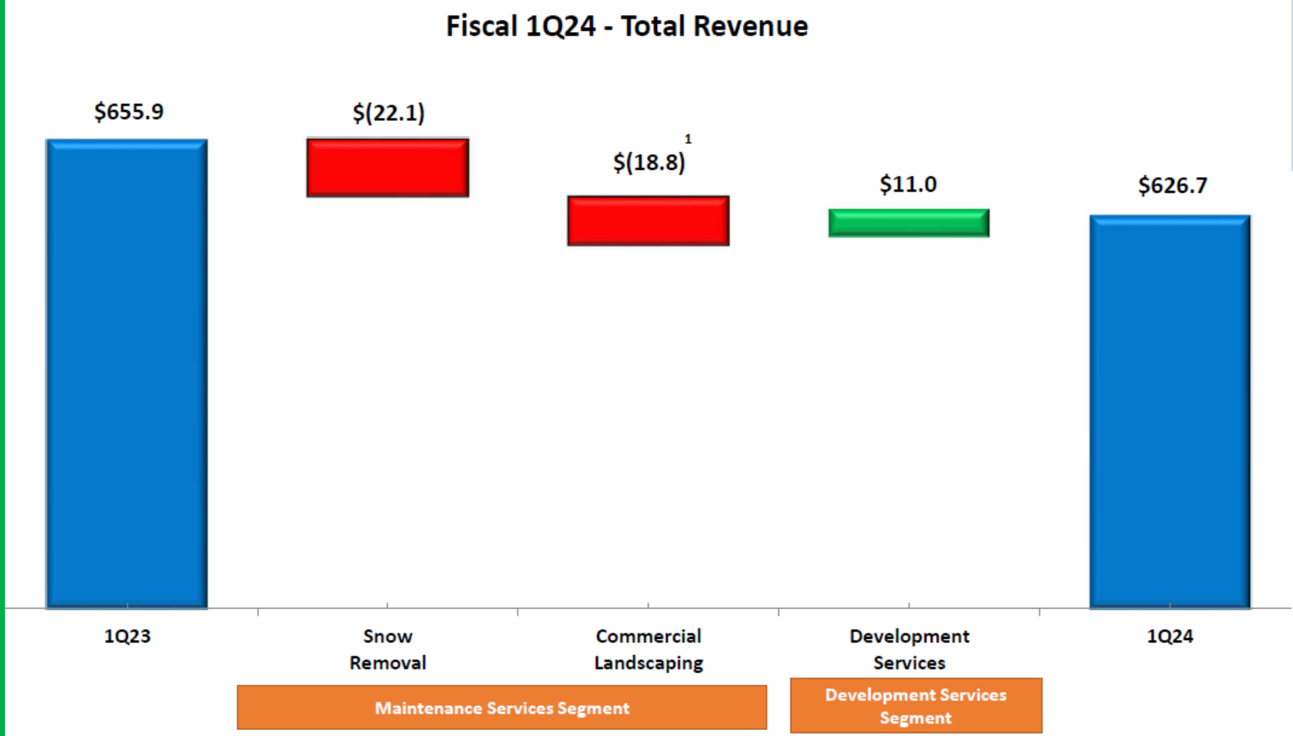
- Improvements in core business functions
- Implemented incentive plan aligned with profitable growth
- Excl. snow impact, performance inline with expectations *(see slide 11)*

Strong Cash Flow

- Free cash flow +$73M YoY
- Net leverage ratio of ~2.9x

BrightView

1Q FY 2024 Revenue



Figures are in $ millions, totals may not sum due to intercompany eliminations
[1]Includes $3.2M of Landscape Services Acquisition Revenue

(Numbers $M)	1Q24	1Q23	Commentary
Total Revenue	$626.7	$655.9	• **4.5% decrease**
Total Snow	$39.7	$61.8	• 35.8% decrease • Snowfall volume drove decline of ~ ($22M) versus prior year
Total Land	$402.6	$421.4	• 4.5% decrease • Land focused on profitable growth & core business
Total Maintenance Services	$442.3	$483.2	• **8.5% decrease**
Development Services	$185.4	$174.4	• **6.3% increase** • Continued conversion of backlog & high quality projects

1Q FY 2024 Adjusted EBITDA

(Numbers $M)	1Q24	1Q23	Commentary
Total Adjusted EBITDA	$46.7	$48.6	▪ **3.9% or $2M decrease** • Benefits from One BrightView and improved profitability offset by lower snowfall
Maintenance Services	$42.0	$50.5	▪ **16.8% or $8M decrease** • Excluding impact of YoY snowfall, margins were consistent compared to the prior year
Development Services	$19.6	$16.5	▪ **18.8% or $3M increase** • +110bps in margin expansion driven by backlog conversion & cost containment
Corporate Expenses	($14.9)	($18.4)	▪ **2.4% of revenue; 40bps improvement** • One BrightView materializing • Evaluating opportunities for centralization & efficiencies

Continued execution of strategy; positioned for long-term profitability

BrightView

Snowfall Impact

Excluding estimated impact of YoY snowfall,
continued YoY Adjusted EBITDA growth AND margin improvement

	Consolidated		
(Ms)	Revenue	Adj. EBITDA	Margin
Q1'23 As Reported	**656**	**49**	**7.4%**
Q1'24 As Reported	**627**	**47**	**7.5%**
$ Change	*(29)*	*(2)*	
Est. YoY Snowfall Impact*	22	~5-6	
Q1'24 Excl. YoY Snow Impact	**649**	**~52-53**	**~8.0-8.2%**
$ Change Excl. YoY Snow Impact	*(7)*	*~3-5*	

** Est. YoY Snowfall Impact defined as snowfall revenue in line with 1Q23 @ estimated margin drop-through ~ 20%-30%*

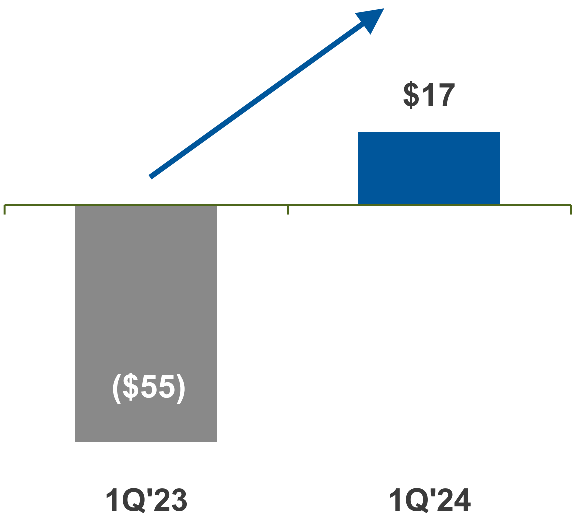
~ +60 to +80 bps* margin expansion excl. YoY impact from snowfall

BrightView

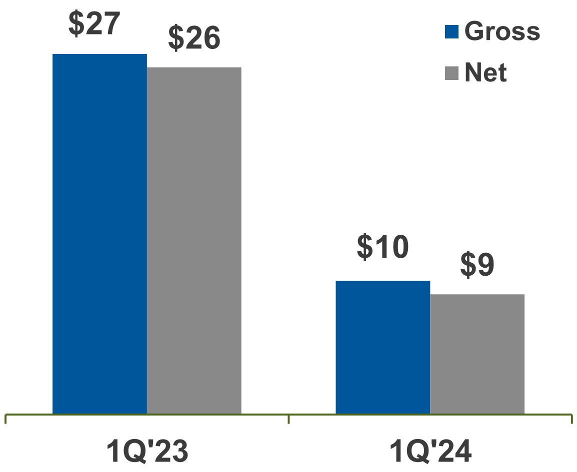
Cash Flow, CapEx, and Net Debt

$ in millions

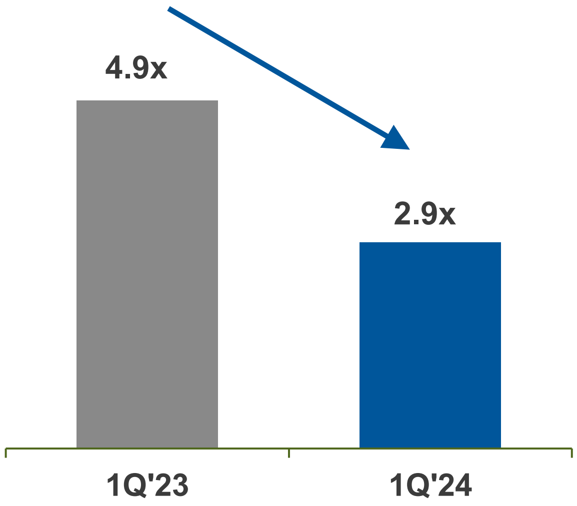
Free Cash Flow



Capital Expenditures[1]



Leverage[2]



Free Cash Flow

Improved net working capital and timing of capex

CapEx / Total Revenue

Levels reflect timing within the year

Committed to investing in fleet & equipment

Net Financial Debt

1Q’23 $1,454M

1Q’24 $860M

Improved Profitability and Reduced Interest = Strategic Flexibility

[1] Net capital expenditures includes proceeds from sale of property & equipment
[2] Net Debt includes total long-term debt, net of original issue discount, and capital lease obligations net of cash and equivalents
See the “Non-GAAP to GAAP Reconciliation” in the Appendix of this presentation for a reconciliation to the most directly comparable GAAP measure

BrightView

US Lawns Divestiture & Cash Re-Investment

US Lawns Sale

- Transaction closed on January 12, 2024
- Franchise Landscaping Business (non-core)
- ~$52M Sale Price; reflects **Double digit EBITDA Multiple**
- FY23 Revenue ~$11M
- Reinvesting into core business to create efficiencies and drive profitable growth

- **Replace Aged Production Vehicles**
- **Upgrade Lawn Mowers**
- **Employee Safety**
- **Efficiencies & Profitable Growth**

Re-Invest Proceeds Into Core Self-Perform Business

BrightView

FY 2024 Guidance

Reaffirming FY 2024 Guidance Ranges

Metric	Guidance
Total Revenue	$2.825B to $2.975B
Adjusted EBITDA	$310M to $340M
Free Cash Flow	$45M to $75M

Current Assumptions

Revenue, EBITDA & Margins

Total Revenue growth: Flat to ~5%, with minimal new M&A assumed

Land Revenue growth: ~(2%) to +2%

Snow Revenue: $210M to $270M (Flat to 5-Yr. Realized Avg.)

Development Revenue growth: ~+2% to +5%

Total margin expansion: ~+40-80bps

Maintenance: + ~ 20-60bps; Development: + ~20-50bps

Improved operating performance & assumed leverage in corporate

Free Cash Flow

Improved operating performance

Net CapEx intensity: ~3.5% of total revenue

Working Capital: modest improvement

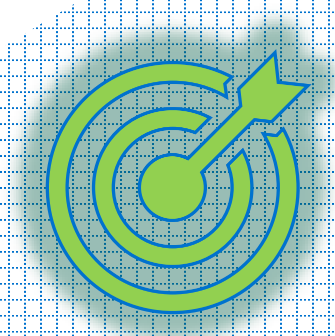
Cash interest: ~6.75% to 7.25% on debt

Interest expense: ~80% fixed at $60M to $70M

BrightView

Key Takeaways

- ✓ Focused on core businesses and deemphasizing non-core businesses
- ✓ One BrightView delivering an efficient, collaborative and unified service
- ✓ Profitable growth through prioritizing the employee, customer and a winning culture
- ✓ Leverage size and scale to drive profitable growth and operational efficiency
- ✓ Strategic allocation of capital to maximize value creation and return on investment



BrightView

1Q FY2024 Earnings Call

QUESTIONS & ANSWERS

BrightView

BrightView

Appendix

BrightView

Non-GAAP to GAAP Reconciliation

(in millions)*	Three Months Ended December 31, 2023	Three Months Ended December 31, 2022
Adjusted EBITDA		
Net (loss)	$ (16.4)	$ (18.9)
Plus:		
Interest expense, net	17.1	23.2
Income tax (benefit)	(5.7)	(5.5)
Depreciation expense	25.6	27.1
Amortization expense	10.1	11.9
Business transformation and integration costs (a)	10.7	4.7
Equity-based compensation (b)	5.3	5.7
COVID-19 related expenses (c)	—	0.4
Adjusted EBITDA	**$ 46.7**	**$ 48.6**
Adjusted Net Income (Loss)		
Net (loss)	$ (16.4)	$ (18.9)
Plus:		
Amortization expense	10.1	11.9
Business transformation and integration costs (a)	10.7	4.7
Equity-based compensation (b)	5.3	5.7
COVID-19 related expenses (c)	—	0.4
Income tax adjustment (d)	(6.7)	(5.0)
Adjusted Net Income (Loss)	**$ 3.0**	**$ (1.2)**
Free Cash Flow		
Cash flows provided by operating activities	$ 26.2	$ (29.6)
Minus:		
Capital expenditures	10.1	27.2
Plus:		
Proceeds from sale of property and equipment	1.2	1.4
Free Cash Flow	**$ 17.3**	**$ (55.4)**
Adjusted Earnings per Share		
Numerator:		
Adjusted Net Income (Loss)	$ 3.0	$ (1.2)
Denominator:	—	—
Weighted average number of common shares outstanding – basic and diluted	93,986,000	93,252,000
Plus:		
Dilutive impact of Series A convertible preferred stock as-converted	54,242,000	—
Adjusted weighted average number of common shares outstanding	148,228,000	93,252,000
Adjusted Earnings per Share	**$ 0.02**	**$ (0.01)**

BrightView

*Amounts may not total due to rounding

Non-GAAP to GAAP Reconciliation (cont.)

(a) Business transformation and integration costs consist of (i) severance and related costs; (ii) business integration costs and (iii) information technology infrastructure, transformation costs, and other.

	Three Months Ended December 31,	
(in millions)*	**2023**	**2022**
Severance and related costs	$ 2.5	$ 0.1
Business integration (e)	0.6	2.7
IT infrastructure, transformation, and other (f)	7.6	1.9
Business transformation and integration costs	**$ 10.7**	**$ 4.7**

(b) Represents equity-based compensation expense and related taxes recognized for equity incentive plans outstanding.

(c) Represents expenses related to the Company's response to the COVID-19 pandemic, principally temporary and incremental salary and related expenses, personal protective equipment and cleaning and supply purchases, and other.

(d) Represents the tax effect of pre-tax items excluded from Adjusted Net Income (Loss) and the removal of the applicable discrete tax items, which collectively result in a reduction of income tax (benefit). The tax effect of pre-tax items excluded from Adjusted Net Income (Loss) is computed using the statutory rate related to the jurisdiction that was impacted by the adjustment after taking into account the impact of permanent differences and valuation allowances. Discrete tax items include changes in laws or rates, changes in uncertain tax positions relating to prior years and changes in valuation allowances.

	Three Months Ended December 31,	
(in millions)*	**2023**	**2022**
Tax impact of pre-tax income adjustments	$ 7.4	$ 6.0
Discrete tax items	(0.7)	(1.0)
Income tax adjustment	**$ 6.7**	**$ 5.0**

(e) Represents isolated expenses specifically related to the integration of acquired companies such as one-time employee retention costs, employee onboarding and training costs, and fleet and uniform rebranding costs. The Company excludes Business integration costs from the measures disclosed above since such expenses vary in amount due to the number of acquisitions and size of acquired companies as well as factors specific to each acquisition, and as a result lack predictability as to occurrence and/or timing, and create a lack of comparability between periods.

(f) Represents expenses related to distinct initiatives, typically significant enterprise-wide changes. Such expenses are excluded from the measures disclosed above since such expenses vary in amount based on occurrence as well as factors specific to each of the activities, are outside of the normal operations of the business, and create a lack of comparability between periods.

BrightView

*Amounts may not total due to rounding

Non-GAAP to GAAP Reconciliation (cont.)

Total Financial Debt and Total Net Financial Debt

(in millions)*	December 31, 2023	September 30, 2023	December 31, 2022
Long-term debt, net	$ 879.8	$ 888.1	$ 1,409.5
Plus:			
Current portion of long term debt	—	—	12.0
Financing costs, net	6.1	6.6	10.2
Present value of net minimum payment - finance lease obligations (g)	38.2	42.8	44.8
Total Financial Debt	**924.1**	**937.5**	**1,476.5**
Less: Cash and cash equivalents	(64.5)	(67.0)	(22.4)
Total Net Financial Debt	**$ 859.6**	**$ 870.5**	**$ 1,454.1**
Total Net Financial Debt to Adjusted EBITDA ratio	**2.9x**	**2.9x**	**4.9x**

(a) Balance is presented within Accrued expenses and other current liabilities and Other liabilities in the Consolidated Balance Sheet.

BrightView

*Amounts may not total due to rounding

THANK YOU

INVESTOR RELATIONS CONTACT:

IR@BrightView.com

MEDIA CONTACT:

David Freireich
VP of Communications & Public Affairs
484.567.7244
David.Freireich@BrightView.com

BrightView

investor.brightview.com